

**SOUTH CAROLINA JOBS – ECONOMIC  
DEVELOPMENT AUTHORITY**

**COLUMBIA, SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2004**

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
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STATE AUDITOR

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October 22, 2004

The Honorable Mark Sanford, Governor  
and  
Members of the Board of Directors  
South Carolina Jobs-Economic Development Authority  
Columbia, South Carolina

This report on the audit of the basic financial statements and the additional reports required by OMB Circular A-133 of the South Carolina Jobs-Economic Development Authority, for the fiscal year ended June 30, 2004, was issued by Rogers and Laban, PA, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom Wagner".

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

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# ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Mr. Thomas L. Wagner, Jr., CPA,  
State Auditor  
State of South Carolina  
Columbia, South Carolina

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the South Carolina Jobs – Economic Development Authority ("JEDA") as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of JEDA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements of the South Carolina Jobs – Economic Development Authority are intended to present the financial position and results of operations of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information funds of the State of South Carolina financial reporting entity that is attributable to the transactions of the South Carolina Jobs – Economic Development Authority, an agency of the State. They do not purport to, and do not, present the financial position of the State of South Carolina as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the South Carolina Jobs – Economic Development Authority as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has elected not to present Management's Discussion and Analysis Information required to be presented as supplementary information by the Governmental Accounting Standards Board.



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1st Global Insurance Service, Inc.*

Our audit was performed for the purpose of forming an opinion on the financial statements of South Carolina Jobs – Economic Development Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The accompanying combining statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Management of JEDA discovered an error in the allowance for the subordinate interest in the securitization trust in the prior year as detailed in Note 17 to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2004 on our consideration of JEDA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

*Rogers & Latham, PA*

October 18, 2004

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 4,768,006
Current portion of loans receivable	37,058
Current portion of subordinate interest in securitization trust, net of allowance for loss of \$221	286,507
Other receivables	25,938
Accrued interest receivable:	
Deposits and investments	1,525
Loans	941
	<u>5,119,975</u>

Noncurrent assets:

Loans receivable, net of current portion and allowance for losses of \$290,000	700,025
Subordinate interest in securitization trust, net of current portion and allowance for loss of \$228	294,090
	<u>994,115</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 6,114,090</u></b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Current liabilities:

Accounts payable	\$ 3,263
Due to grantor	788,860
Accrued payroll and related benefits	1,422
Due to related party	11,771
Current portion of accrued compensated absences and related benefits	21,000
	<u>826,316</u>

Accrued compensated absences and related benefits, net of current portion	<u>3,477</u>
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Total liabilities	829,793
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**NET ASSETS:**

Unrestricted	<u>5,284,297</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,114,090</u></b>
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See accompanying Notes to Financial Statements.

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

Expenses:

Economic development

Grant expenses	\$ 285
Salaries and benefits	183,305
Contractual services	300,054
Supplies and materials	7,879
Fixed charges	48,758
Travel	14,539
Interest expense	532
Refund to grantor	9,022
Increase in allowance for loan and securitization trust losses	<u>87,451</u>
Total program expenses	<u>651,825</u>

Program revenues:

Charges for services	344,167
Operating grants	<u>315,622</u>
Net program expense	<u>7,964</u>

General revenues:

State appropriations	79,664
Investment earnings	<u>116,057</u>
Total general revenues	<u>195,721</u>

Increase in net assets 203,685

Net assets - beginning of year as restated 5,080,612

Net assets - end of year \$5,284,297

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

**ASSETS**

Cash and cash equivalents	\$ 4,768,006
Loans receivable, net of allowance for losses of \$290,000	737,083
Subordinate interest in securitization trust, net of allowance for loss of \$449	580,597
Other receivables	25,938
Accrued interest receivable:	
Deposits and investments	1,525
Loans	941
<b>TOTAL ASSETS</b>	<b>\$ 6,114,090</b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES:**

Accounts payable	\$ 3,263
Due to grantor	788,860
Accrued payroll and related benefits	1,422
Due to related party	11,771
	<u>805,316</u>

**FUND BALANCE:**

Unreserved	<u>5,308,774</u>
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<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 6,114,090</b>
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**RECONCILIATION TO THE STATEMENT OF NET ASSETS**

Total fund balance - governmental funds	\$ 5,308,774
Amounts reported for governmental activities in the statement of net assets are different because:	
Long term liabilities are not due and payable within the current period and, therefore, are not reported in the governmental funds:	
Accrued compensated absences	<u>(24,477)</u>
Net assets of governmental funds	<u>\$ 5,284,297</u>

**See accompanying Notes to Financial Statements.**



**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2004**

**REVENUES:**

Grant program income	\$ 315,622
Industrial revenue bond fees	340,500
Interest/investment income on deposits and investments	25,580
Interest income on loans and notes receivable	31,894
Interest income on subordinate certificates	58,583
State appropriation revenues	79,664
Loan servicing and other fees	3,667
	<u>855,510</u>

**EXPENDITURES:**

Grant expenses	285
Salaries and related benefits	183,924
Contractual services	300,054
Supplies and materials	7,879
Fixed charges	48,758
Travel	14,539
Debt service:	
Principal	24,953
Interest	532
Refund to grantor	9,022
Increase in allowance for loan and securitization trust losses	87,451
	<u>677,397</u>

<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	178,113
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<b>FUND BALANCE - BEGINNING AS RESTATED</b>	<u>5,130,661</u>
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<b>FUND BALANCE - ENDING</b>	<u><u>\$ 5,308,774</u></u>
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**RECONCILIATION TO THE STATEMENT OF ACTIVITIES**

<b>Excess of revenues over expenditures:</b>	\$ 178,113
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets.	24,953
Accrued compensated absences and related benefits that are reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The liability decreased for the year.	<u>619</u>

<b>Increase in net assets</b>	<u><u>\$ 203,685</u></u>
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**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2004**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	<u><u>\$    24,771</u></u>
<b>LIABILITIES</b>	
Funds held for others	<u><u>\$    24,771</u></u>

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY  
COLUMBIA, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of South Carolina Jobs – Economic Development Authority (JEDA) were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The more significant of JEDA's accounting policies are described below.

**Reporting Entity**

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary government or entity that holds one or more of the following powers:

- (1) Determines its budget without another government's having the authority to approve and modify that budget.
- (2) Levies taxes or set rates or charges without approval by another government.
- (3) Issues bonded debt without approval by another government.

The organization is fiscally independent if it holds all three of those powers. Based on the criteria, JEDA has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only JEDA (a primary entity).

Most of the laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of South Carolina Jobs – Economic Development Authority. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State.

The Board of Directors, whose members are appointed by the Governor with the advice and consent of the Senate, is the governing body of JEDA.

**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY  
COLUMBIA, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

JEDA was created by Section 41-43-30 of the Code of Laws of South Carolina, as a quasi-public instrument of the State, to maintain and expand job opportunities through financial assistance to small and middle market businesses. JEDA functions as a fixed asset lender providing low interest loans for the acquisition of real estate, machinery and equipment. Loans are made through the packaging and issuance of "Industrial Revenue Bonds," Direct loans and "Guarantee of Loans." Also, JEDA works cooperatively with and through existing financial institutions statewide. JEDA services a small number of loans for others. JEDA also makes grants to qualifying entities under the Community Development Block Grant program.

The reporting entity is part of the State primary government unit and is included in the Comprehensive Annual Financial Report of the State of South Carolina. The accompanying financial statements present the financial position and changes in financial position solely of JEDA and do not include any other funds of the State of South Carolina.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changed in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus, Basis of accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Fund Accounting**

JEDA uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. JEDA only uses a special revenue governmental fund and a fiduciary fund.

## **SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

#### **Governmental Funds**

Governmental funds are those through which most government functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

#### **Fiduciary Funds**

JEDA's fiduciary funds consists of agency funds that are held for the benefit of third parties and cannot be used to address activities or obligations of JEDA. Agency funds include assets held for CCU Student Housing Foundation, Air South, Inc. and Marine Energy Systems Corporation. Also included are collections on the loan portfolio referred to in Note 4.

#### **Revenues – Exchanges and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For JEDA, available means expected to be received with one year of the fiscal year-end.

Nonexchange transactions, in which JEDA receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which JEDA must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

#### **Budget Policy**

JEDA is granted an annual appropriation for administrative operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of summary object of expenditure appropriations by program within agency within budgetary fund. Budgetary control is maintained at the summary object of expenditure level of the agency entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist. Agencies may request transfers of appropriations among summary object categories and/or among programs within the same budgetary fund.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in Appropriation Act Proviso 72.14 as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and

## **SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

Agencies may charge vendor, interagency, and interfund payments for fiscal year 2004 to fiscal year 2003 appropriations in July 2003. Up to 10% of original State General Fund appropriations to an agency may be carried forward and expended in the next fiscal year. Any unexpended State General Fund monies as of June 30th in excess of 10% of original appropriations automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriations Act states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis method of accounting with several exceptions, principally the cash basis for payroll expenditures.

A budgetary comparison schedule is not presented as required supplementary data since not all revenues and expenses of JEDA are legally budgeted.

#### **Compensated Absences**

State employees are entitled to accrue and carry forward at calendar year end a maximum of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum of 45 days, but are not entitled to any payment for unused sick leave. JEDA calculates the gross compensated absences based on recorded balances of unused leave for which it expects to compensate employees for the benefits through paid time off or cash payments. The liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments. The net change in the liability is recorded in the current year in the applicable payroll expense.

#### **Cash and Cash Equivalents**

The amounts shown in the financial statements as "cash and cash equivalents" represent cash on hand, deposits in banks, repurchase agreements, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Because the State's internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. Most State agencies participate in the State's internal cash management pool; however, some agency accounts are not included in the pool because of restrictions on the use of funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having a maturity date of three months or less.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. JEDA records and reports its deposits in the general deposit account at cost and reports its deposits in the special deposit account at fair value. Investments held by the pool are recorded at fair value. Reported interest income

## **SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

on deposits and investments include interest earned, realized gains/losses, and unrealized gains/losses arising from changes in fair value of investments in the pool.

Interest earned by the agency's special deposit accounts is posted to the agency's account at the end of each month and is retained by the agency. Interest earnings are allocated based on the percentage of an agency's accumulated daily interest receivable to the total undistributed interest received by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

Although the State's internal cash management pool includes some long-term investments, it operates as a demand deposit account; therefore, for credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

JEDA considers all highly liquid deposit accounts and investments with original maturities of three months or less at the time of acquisition to be cash equivalents.

#### **Loans Receivable**

Loans receivable are recorded at face amount less an allowance for loan losses. Loans transferred from other entities are recorded at their estimated realizable value which, in most cases, is the outstanding principal balance and as grant program income.

#### **Allowance for Loan Losses**

The allowance for loan losses is an estimate provided on the allowance method for financial statement purposes, based on a review and evaluation by management of the collectibility of the individual loans in the loan portfolios.

#### **Deferred Revenues**

Deferred revenues consist of payments received in advance of when they are earned.

#### **Bad Debt Recoveries**

Bad debt recoveries are recognized as revenue when received.

#### **Grant Program Income**

Grant program income represents cash received and loans receivable transferred from other state and local government entities and nonprofit entities and income received under program income agreements. Generally, grant program income received must be expended for loans, grants, or administrative expenses based on regulations, if any, applicable to the various programs under which it was received, primarily Community Development Block Grant.

#### **Grant Expense**

Grant expense represents amounts paid to counties, municipalities and other eligible recipients for industrial development using Community Development Block Grant funds. This includes the administrative portion of the grants.

#### **State Appropriations**

JEDA is granted an annual appropriation by the General Assembly of the State of South Carolina in the form of an appropriation transfer. State appropriations are recognized as revenue when received.

## **SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

#### **Fund Equity**

JEDA records reservation for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods.

If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

#### **NOTE 2. DEPOSITS AND INVESTMENTS:**

The following schedule reconciles deposits and investments within the footnotes to the statement amounts.

Statements		Footnotes	
Cash and Cash Equivalents	\$ 4,792,777	Cash on Hand	\$ 200
		Deposits with Financial Institutions	1,750,073
		Deposits Held by State Treasurer	3,042,504
Totals	<u>\$ 4,792,777</u>	Totals	<u>\$ 4,792,777</u>

#### **Deposits Held by State Treasurer**

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.



# SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Other Deposits

The Authority's other deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. There are three categories of deposit credit risk as follows:

- (1) Insured or collateralized with securities held by the entity or by it's agent in the entity's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- (3) Uninsured or uncollateralized.

All of the Authority's deposits were in category one.

### Investments

Legally authorized investments include obligations of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper.

During the year, the Authority had investments held by Trustee consisting of Treasury money market funds held under an agreement with CCU Student Housing Foundation as detailed in Note 14. The highest balance held during the year was approximately \$5,212,000.

### NOTE 3. RECEIVABLES:

Loans receivable at June 30, 2004 consisted of the following:

	CDBG Portfolio	CDBG (DED) Portfolio	EDA Portfolio	PBBF Portfolio	Totals
Loans receivable	\$ 27,317	\$ 766,608	\$ 88,957	\$ 144,201	\$ 1,027,083
Less, allowance for loan losses		290,000			290,000
	<u>\$ 27,317</u>	<u>\$ 476,608</u>	<u>\$ 88,957</u>	<u>\$ 144,201</u>	<u>\$ 737,083</u>

The loans are secured primarily by real estate, accounts receivable, and/or equipment. In some cases, personal guarantees are obtained from the principals involved. Maturities are from fiscal years 2005 to 2014 with interest rates from 3% to 9%.

The CDBG portfolio loans were originated by JEDA using Community Development Block Grant (CDBG) federal funds.

The CDBG (DED) Portfolio loans were originated from grants by the Department of Commerce Division of Economic Development (formerly part of the Governor's Office) to local governments. The local government used them to build or buy a building which was then sold to a private industry under a financing arrangement. The loans were assigned by the local governmental entities to JEDA. The grants were funded by Community Development Block Grant federal funds. No new loans were transferred during the year ended June 30, 2004.

## SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

The EDA portfolio loans were transferred to JEDA from the Central Midlands Regional Planning Council during 1997. The funds are to be used for a revolving loan fund to make loans for business start up and expansion in Richland, Newberry and Fairfield Counties. The funds were transferred with the approval of the U.S. Department of Commerce, Economic Development Administration. The loans are collateralized by mortgages on real estate; furniture, fixtures and equipment; inventory; and, accounts receivable.

The Palmetto Basic Building Fund (PBBF) portfolio loans were originated by JEDA and funded 50% by a grant to JEDA from the U.S. Department of Commerce, Economic Development Administration and 50% by CDBG federal funds. All PBBF loans are secured by real estate.

Other receivables consists of industrial revenue bond fees due from various entities.

#### **NOTE 4. SECURITIZATION OF LOAN PORTFOLIO:**

On April 13, 1994, JEDA sold a portion of its loan portfolio. Under the agreement, a grantor trust was created and loans with principal balances totaling \$11,140,715 were transferred to the trust. Wachovia Bank acts as trustee for JEDA. The trust sold senior certificates entitling the purchaser, McArthur Foundation, to 66-2/3% of the aggregate loan balance and interest at a fixed rate of 7.45%. The certificates were sold for \$7,068,106.

The certificates were sold for \$7,068,106. The senior certificates are paid from 66-2/3% of principal repayments as collected from borrowers. Scheduled payments must be recalculated when prepayments are made. JEDA is paid the residual, which may be less than 33-1/3% because of delinquencies, deferments, or defaulted loans and differences in interest rates on individual loans, however, JEDA is not liable for any deficiencies in payments to the senior certificate holder. Distributions of principal and interest are made from the trust semiannually on June 20 and December 20 of each year through the fiscal year ended June 30, 2007.

In order to value JEDA's residual investment in the grantor trust, a computation was made to determine the gain or loss on the sale. Cash flows from principal and interest were projected on the portfolio, reduced by servicing costs and estimated loan defaults based on historical experience. The present value of the net cash flows was computed to determine the percentage of the portfolio sold which was then applied to the portfolio. \$7,857,544 is the portion of the portfolio which was sold for \$7,068,106, resulting in a loss of \$789,438.

The \$789,438 reduction in the investment may be taken into income in subsequent years using the level yield method in accordance with generally accepted accounting principles if the estimated loan defaults are not realized. It is also probable that the subordinate investment will be further reduced if defaults exceed projected amounts. Principal distributions from the trust will be recorded as reductions in the subordinate investment in securitization trust.

Using the same formula, used to value the certificates at the date of sale, the future cash flows were projected at June 30, 2004 resulting in a valuation increase of \$116,090 which is reported as part of current year's provision of allowance for loan and securitization trust losses.

The changes in the balance for the year ended June 30, 2004 were as follows:

Gross receivable, beginning of year	\$757,556
Less, principal payments received	<u>(176,510)</u>
Gross receivable, ending	581,046
Allowance for loss on subordinate certificates	<u>(449)</u>
Estimated value, ending	<u><u>\$580,597</u></u>

# SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

JEDA receives additional funds if the collections on the underlying receivables are higher than anticipated. No additional funds were received during the year ended June 30, 2004.

Business Carolina, Inc. (BCI) processes payments for the loan portfolio included in the grantor trust for a servicing fee of 1% annually of the aggregate outstanding loan balance, computed monthly. Servicing fees paid to BCI by the trust during the year ended June 30, 2004 totaled \$11,860 (See Note 8).

### **NOTE 5. NOTES PAYABLE/NOTES RECEIVABLE:**

JEDA borrowed \$321,472 under six notes payable during prior fiscal years from a local financial institution. Five of the notes were satisfied in prior years and the final note was paid in full in the current year. These loans were drawn down under a \$2,000,000 line of credit which has expired and which provided that JEDA would have no liability beyond the amount that would be realized from the collateral in case of default for the loans receivable described in the following paragraph.

The funds borrowed under the notes were loaned to Carolina Business Resources, Inc. (CBR). CBR used the funds to make loans to minority businesses. CBR repays the loans to JEDA in the same amount which JEDA makes payments on the notes payable. The collateral under the loans receivable due to CBR was assigned as collateral for the notes payable.

JEDA received interest income of \$532 and incurred interest expense of \$532 on the note receivable and note payable.

### **NOTE 6. LONG-TERM LIABILITIES:**

Long-term liability activity for the year ended June 30, 2004 was as follows:

	June 30, 2003	Additions	Reductions	June 30, 2004	Due within One year
Notes payable	\$ 24,953	\$ -	\$ 24,953	\$ -	
Accrued compensated absences and related benefits	25,096	20,345	20,964	24,477	21,000
Totals	<u>\$ 50,049</u>	<u>\$ 20,345</u>	<u>\$ 45,917</u>	<u>\$ 24,477</u>	<u>\$ 21,000</u>

## **SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

#### **NOTE 7. INDUSTRIAL REVENUE BONDS:**

JEDA is authorized by South Carolina Code of Laws Section 41-43-110 to administer an industrial revenue bond program to benefit businesses in South Carolina. JEDA charges each borrower a nonrefundable application fee and a closing fee established by the State Budget and Control Board based upon the face value of the bonds to be issued.

JEDA's agreement with BCI requires that it pay BCI a fee equal to the first \$212,500 plus 50% of all industrial revenue bond fees received in excess of \$312,500 for services provided. During the year ended June 30, 2004, JEDA paid BCI \$226,500, which is included in contractual services expense.

A trustee handles the industrial revenue bond monies. Bonds are sold either in public markets or in private placements at the option of the borrower. The trustee issues the funds to borrowing businesses. The borrower makes principal and interest payments to the trustee who, in turn, pays the bondholder(s).

Industrial revenue bonds are generally secured by an irrevocable letter of credit (LOC). Under the terms of the LOC, when certain specified conditions of default occur and the borrower business does not make its payments, the financial institution issuing the letter of credit repays the bondholders and holds the business liable for payment of any advances made under the LOC. The letter of credit is secured by the assets of the business. Thus, neither the full faith and credit nor the taxing power of JEDA, the State of South Carolina, or any of its political subdivisions are pledged to secure payment of the bonds.

Governmental accounting standards require JEDA to present the outstanding balance of all conduit debt at fiscal year end. The outstanding principal balance of conduit debt issued subsequent to June 30, 1995 was approximately \$2,655,000,000 as of June 30, 2004. The aggregate amount for the conduit debt issued prior to July 1, 1995 is not available.

#### **NOTE 8. RELATED PARTY TRANSACTIONS:**

##### **Business Carolina , Inc.**

Business Carolina, Inc. (BCI) is a nonprofit organization. Its Board of Directors is made up of three JEDA directors and six non-JEDA directors. In an effort for JEDA to attain self-sufficiency, management services have been provided by BCI since July 1, 1992. In exchange for the management and administration agreement, BCI has assumed responsibility for leases for office space and other equipment, personnel, and furniture and equipment formerly owned by JEDA. Effective July 1, 2003, JEDA agreed to reimburse BCI \$35,546 for the year to cover office space, telephone and various other expenses.

BCI also provides marketing services for JEDA's loan programs, performs underwriting and credit analysis for potential loans, prepares loan documents and closes loans. In addition, BCI processes payments for JEDA's loan portfolio.

JEDA assigned to BCI its 3% loan servicing fee on the loan portfolio sold during fiscal year 1996. For the year ended June 30, 2004, JEDA paid BCI \$3,667 which is included in contractual services expense.

JEDA receives various administration services from BCI for which no compensation is paid. The value of these services is not readily determinable.

JEDA owes BCI \$11,771 as of June 30, 2004.

## **SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

#### **State of South Carolina**

JEDA has significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of limited accounting records from the Comptroller General; composite investing functions from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various divisions of the State Budget and Control Board include retirement and health plan administration, audit services, grant services, personnel management, procurement services, assistance in the preparation of the State Budget, review and approval of certain budget amendments, and other centralized functions.

JEDA had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for retirement and insurance plans contributions and insurance coverage. Payments were also made for unemployment and workers' compensation coverage for employees to other State agencies. The amount of 2004 expenditures applicable to these related party transactions is not readily available.

For fiscal year 2004, JEDA received \$79,664 in State appropriations from the Budget and Control Board, Office of Local Government as set forth in Appropriation Act Section 63 for fiscal year 2004. The CDBG program requires a certain amount of State funds be expended, the State appropriations are used to meet the federal match requirements. Section 41-43-50 of the 1976 Code of Laws of South Carolina authorizes JEDA to retain unexpended funds regardless of the source and expend them in subsequent fiscal years.

The South Carolina Department of Commerce Division of Economic Opportunity has transferred various loans in prior years to JEDA for no consideration. They have also transferred various agreements to JEDA in prior years under which JEDA receives grant program income.

#### **Savannah Lakes Regional Loan Fund**

The Savannah Lakes Regional Loan Fund was established in 1990. It maintains a revolving loan fund to promote economic development in the State's Savannah Lakes Region. The Fund's Board of Directors consists of three members from each of two State agencies, the Department of Commerce and JEDA. The Savannah Lakes Regional Loan Fund is reported as a discretely presented component unit of the State of South Carolina. JEDA had no financial transactions with the Savannah Lakes Regional Loan Fund during the year ended June 30, 2004. The Savannah Lakes Regional Loan Fund was dissolved during the year ended June 30, 2004.

#### **NOTE 9. PENSION PLAN AND OTHER EMPLOYEE BENEFITS:**

All employees of JEDA are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board, a public employee retirement system. Generally all state employees are required to participate in and contribute to the System as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

## **SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

The Retirement Division maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina, 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Under SCRS employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service. The benefit formula for full benefits effective July 1, 1989, for the System is 1.82% of an employee's average final compensation multiplied by the number of years of creditable service. An early retirement option with reduced benefits is available as early as age 55. Employees are vested for a deferred annuity after five years service and qualify for a survivor's benefit upon 5 years credited service. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of 5 years of credited service (this requirement does not apply if the disability is the result of a job-related injury). A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of all compensation. Effective July 1, 2002, the employer contribution rate became 10.70 percent which included a 3.30 percent surcharge to fund retiree health and dental insurance coverage. JEDA's actual contributions to the SCRS were approximately \$11,000, \$7,700 and \$7,700 for the years ended June 30, 2004, 2003 and 2002, respectively and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, JEDA paid employer group-life insurance contributions of approximately \$220 in the current fiscal year at the rate of .15 percent of compensation.

Article X, Section 16 of the South Carolina Constitution requires that all state operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest twelve consecutive quarters of compensation).

The Systems do not make separate measurement of assets and pension benefit obligations for individual employers. Under Title 9 of the South Carolina Code of Laws, the Authority's liability under the retirement plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the Authority's liability under the pension plan is limited to the contribution requirements for the applicable year from amounts appropriated therefor in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the Authority recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS may receive additional service credit for up to 90 days for accumulated unused sick leave.

**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 10. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS:**

In accordance with the South Carolina Code of Laws and the Annual Appropriations Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time employees and certain permanent part-time employees of JEDA are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for State funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the Department for its active employees and to the State Budget & Control Board for all participating State retirees, except the portion funded through the pension surcharge, and provided from other applicable revenue sources of JEDA for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 25,000 State retirees met these eligibility requirements as of June 30, 2003.

JEDA recorded employer contribution expenditures applicable to these benefits in the amount of approximately \$11,000 for active employees for the year ended June 30, 2004. As discussed in Note 9, JEDA paid approximately \$4,800 applicable to the 3.30% surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Division of Insurance and Grants for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the Department retirees is not available. By State law, the Department has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from System's earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS benefits.

**NOTE 11. DEFERRED COMPENSATION PLANS:**

Several optional deferred compensation plans are available to state employees and employees of political subdivisions. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b) administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The state has no liability for losses under the plan. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 12. RISK MANAGEMENT:**

JEDA is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year except that JEDA no longer has a fidelity bond covering theft or misappropriations by its employees. Settled claims have not exceeded this coverage in any of the past three years. JEDA pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

State management believes it is more economical to manage certain risks internally and to set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverage's listed above are through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

JEDA and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment; and
3. Torts.

The above property and equipment coverage is purchased to insure foreclosed property and assets which are collateral for loans.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. The IRF's rates are determined actuarially.

No payments for uninsured losses were made during the fiscal year ended June 30, 2004.

JEDA has recorded insurance premium expenses in the fixed charges expense category. These expenses do not include estimated claim losses and estimable premium adjustments.



## **SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004**

JEDA has not reported an estimated claims loss expenditure, and the related liability at June 30, 2004, based on the requirements of GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which states that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable and estimable for accrual that an asset has been impaired or liability has been incurred on or before June 30, 2004 and the amount of the loss is reasonably estimable have not been satisfied.

In management's opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

#### **NOTE 13. COMMITMENTS:**

JEDA did not have any outstanding commitments outstanding as of June 30, 2004 to make grant awards or loans. JEDA has agreements with BCI for the fiscal year ended June 30, 2005 to reimburse it approximately \$60,000 for various costs and to pay it 35% of Industrial Revenue Bond fees that it collects as compensation for services provided.

#### **NOTE 14. FUNDS HELD FOR OTHERS:**

Funds held for others consist of amounts collected for and not expended primarily for CCU Student Housing Foundation (the Foundation), Air South, Inc. and Marine Energy Systems Corporation. The accounts for the Foundation and Air South, Inc. were closed out during the year. Also included are collections on the loan portfolio referred to in Note 4 which are disbursed to the trustee weekly.

In September, 2002, JEDA entered into an agreement with Wachovia Bank, National Association, as Trustee, under which it would issue \$20,320,000 of variable rate demand student housing revenue bonds to purchase real estate and build a student housing facility near the campus of Coastal Carolina University. At the same time, agreements were entered that requires that JEDA transfer all ownership interest in the property and improvements and any unspent bond proceeds to the Foundation upon the Foundation receiving its tax exempt status for the consideration of the Foundation assuming all amounts owed on the bonds. All bond proceeds were deposited into various trust accounts held by the Trustee. All costs during the year, including the land purchase, construction costs and interest payments on the bonds, were paid out of the various bond accounts. The property was deeded to the Foundation in September 2003. JEDA received \$10,000 in fees during the year as provided for into the agreement.

JEDA was assigned the responsibility for collecting the note receivable and paying the federally guaranteed notes payable on loans to Air South, Inc. and Marine Energy Systems Corporation (MESC). MESC is still involved in bankruptcy proceedings. JEDA has no financial responsibility for repayment of these notes payable.

#### **NOTE 15. DUE TO GRANTOR**

Based on an audit performed by the Economic Development Administration, JEDA is being required to repay certain funds based on the fact that JEDA is not using the funds to make loans and that the loans that were made could have been made by other entities. JEDA is appealing this decision. Management is of the opinion that the funds will have to be refunded to the grantor and has recorded a liability for the estimated amount.

**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 16. CONDENSED FINANCIAL INFORMATION**

The following condensed financial statements are to assist the South Carolina State Comptroller's Office in preparing the State-wide financial statements.

Condensed Statement of Net Assets

	June 30,	
	2004	2003 As Restated
Assets:		
Current	\$ 5,119,975	\$ 4,521,085
Noncurrent	<u>994,115</u>	<u>1,413,464</u>
Total assets	<u>\$ 6,114,090</u>	<u>\$ 5,934,549</u>
Liabilities and Net Assets:		
Liabilities:		
Current	\$ 826,316	\$ 828,980
Long-term	<u>3,477</u>	<u>24,957</u>
Total liabilities	829,793	853,937
Net assets - unrestricted	<u>5,284,297</u>	<u>5,080,612</u>
Total liabilities and net assets	<u>\$ 6,114,090</u>	<u>\$ 5,934,549</u>

Condensed Statement of Activities

	Year Ended June 30,	
	2004	2003 As Restated
Program revenues:		
Charges for services	\$ 344,167	\$ 327,613
Operating grants	<u>315,622</u>	<u>771,082</u>
	659,789	1,098,695
General revenues:		
State appropriations	79,664	88,042
Investment earnings	116,057	138,484
Miscellaneous	<u>-</u>	<u>42,874</u>
	195,721	269,400
Total revenues	855,510	1,368,095
Program expenses	<u>651,825</u>	<u>1,396,665</u>
Increase (decrease) in net assets	203,685	(28,570)
Net assets, beginning of year	<u>5,080,612</u>	<u>5,109,182</u>
Net assets, at end of year	<u>\$ 5,284,297</u>	<u>\$ 5,080,612</u>

**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 17. PRIOR PERIOD ADJUSTMENT**

The prior year's balance sheet and statement of net assets reflected a subordinate interest in securitization trust with a balance of \$500,600 net of an allowance of \$256,956 which should have been reported as a balance of \$641,017 net of an allowance of \$116,539. The correction of the \$140,417 error is shown as a prior period adjustment.

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Balances</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2004</u>
<b>CCU Student Housing Foundation</b>				
Cash and cash equivalents	<u>\$5,211,647</u>	<u>\$10,201</u>	<u>\$5,221,848</u>	<u>\$0</u>
Funds held for others	<u>\$5,211,647</u>	<u>\$10,201</u>	<u>\$5,221,848</u>	<u>\$0</u>
<b>Air South, Inc.</b>				
Cash and cash equivalents	<u>\$1,597,825</u>	<u>\$4,097</u>	<u>\$1,601,922</u>	<u>\$0</u>
Funds held for others	<u>\$1,597,825</u>	<u>\$4,097</u>	<u>\$1,601,922</u>	<u>\$0</u>
<b>Marine Energy Systems Corporation</b>				
Cash and cash equivalents	<u>\$105,022</u>	<u>\$349</u>	<u>\$91,453</u>	<u>\$13,918</u>
Funds held for others	<u>\$105,022</u>	<u>\$349</u>	<u>\$91,453</u>	<u>\$13,918</u>
<b>First Union</b>				
Cash and cash equivalents	<u>\$4,178</u>	<u>\$545,475</u>	<u>\$538,800</u>	<u>\$10,853</u>
Funds held for others	<u>\$4,178</u>	<u>\$545,475</u>	<u>\$538,800</u>	<u>\$10,853</u>
<b>Totals</b>				
Cash and cash equivalents	<u>\$6,918,672</u>	<u>\$560,122</u>	<u>\$7,454,023</u>	<u>\$24,771</u>
Funds held for others	<u>\$6,918,672</u>	<u>\$560,122</u>	<u>\$7,454,023</u>	<u>\$24,771</u>

**SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2004**

<u><b>Federal Grantor / Program Title</b></u>	<u><b>Federal CFDA Number</b></u>	<u><b>Total Federal Expenditures</b></u>
<i>Direct Programs:</i>		
<b>Department of Housing and Urban Development</b>		
Community Development Block Grants/State's Program	14.228	\$ 122,617
<b>U.S. Department of Commerce</b>		
Economic Adjustment Assistance	11.307	<u>\$ 285</u>
Total Direct Programs		<u>\$ 122,902</u>

NOTE: The agency used the accrual basis method of accounting in preparing the above schedule. This is the same basis of accounting used by the agency in the preparation of its annual financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

In determining major programs, \$1,146,637 of cash and loan balances relating to the Economic Adjustment Assistance grant were included in calculation, resulting in the program being deemed a major program.



CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Mr. Thomas L. Wagner, Jr., CPA,  
State Auditor  
State of South Carolina  
Columbia, South Carolina

We have audited the financial statements of South Carolina Jobs – Economic Development Authority (JEDA) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered JEDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether JEDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management and is not intended to be and should not be used by anyone other than these specified parties.

*Rogers & Laban, PA*

October 18, 2004



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# ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Thomas L. Wagner, Jr., CPA,  
State Auditor  
State of South Carolina  
Columbia, South Carolina

## **Compliance**

We audited the compliance of the South Carolina Jobs – Economic Development Authority (JEDA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. JEDA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the JEDA's management. Our responsibility is to express an opinion on JEDA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JEDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on JEDA's compliance with those requirements.

In our opinion, JEDA complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

## **Internal Control Over Compliance**

The management of JEDA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered JEDA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Governor of the State of South Carolina, Board members and management of JEDA, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Roger A. Lalan, PA*

October 18, 2004



**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

1. Type of auditor's report issued: Unqualified Opinion
2. Internal control over financial reporting:  
Material weaknesses identified: \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no  
Reportable conditions identified not considered to be material  
weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no
3. Non-compliance material to the Financial Statements noted? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no

**Federal Awards**

4. Internal control over major programs:  
Material weaknesses identified: \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no  
Reportable conditions identified not considered to be material  
weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no
5. Type of auditor's report issued on compliance for  
major programs: Unqualified Opinion
6. Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a)? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no
7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
11.307	Economic Adjustment Assistance

8. Dollar threshold used to be distinguished between Type A  
and Type B Programs: \$ 300,000
9. Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no

**SOUTH CAROLINA JOBS – ECONOMIC DEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

No findings relating to the financial statements were noted.

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No findings or questioned costs for federal awards were noted that are required to be reported under Section .510(a) of OMB Circular A-133.